



The Partnership for Michigan's Health

Michigan State Medical Society

120 W. Saginaw, East Lansing, MI 48823
517.337.1351 Fax 517.337.2490 www.msms.org

MSMS was established in 1866 and currently represents more than 14,000 physicians. Its mission: to promote a health care environment which supports physicians in caring for and enhancing the health of Michigan citizens through science, quality and ethics in the practice of medicine.

John M. MacKeigan, MD
President

Colin Ford
Legislative Contact

Michigan Health & Hospital Association

6215 W. St. Joseph Highway, Lansing, MI 48917
517.323.3443 Fax 517.323.0946 www.mha.org

The MHA is composed of a blend of hospitals and health systems, and other organizations involved in health care. Its mission: to act as the principal advocate on behalf of hospitals, health systems and other providers committed to improving the community health status.

Spencer Johnson
President

David Finkbeiner
Legislative Contact

Michigan Osteopathic Association

2445 Woodlake Circle, Okemos, MI 48864
517.347.1555 Fax 517.347.1566 www.mi-osteopathic.org

MOA was formed in 1898 and currently represents more than 5,000 osteopathic physicians and students. Its mission: to advance the science and art of osteopathic medicine, surgery, education and research, as well as to improve health care...by shaping the health care delivery system on a local and national basis to better serve the community.

Lewin Wyatt, Jr., DO
President

Doug Borruso
Legislative Contact



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FY 2005 and FY 2006 Medicaid Budget

Fiscal Year 2005

On March 23, the state Senate and House Appropriations Committees approved a budget-cutting executive order (2005-7) to address a funding shortfall in the FY 2005 state budget. The executive order included the following provisions pertaining to Medicaid:

- ◆ A 4 percent payment reduction to hospital payments for the period May 1 - Sept. 30, 2005, which equates to a \$10 million reduction to be recovered via a lump-sum adjustment in FY 2005.
- ◆ A 4 percent cut (\$6.8 million) to hospital graduate medical education payments in FY 2005.
- ◆ A 4 percent payment reduction (\$4 million) to physicians in FY 2005.
- ◆ A 4 percent payment reduction (\$19 million) to long-term-care facilities in FY 2005.

> **Total FY 2005 Medicaid funding reductions: \$39.8 million** (Note: the above estimates are gross numbers, including the federal matching funds).

Fiscal Year 2006

Governor Granholm has proposed the following Medicaid funding reductions in the FY 2006 state budget:

- ◆ Cut hospital payments by 4 percent, which equates to a \$26 million reduction to be recovered via a lump-sum adjustment in FY 2006.
- ◆ Reduce hospital graduate medical education payments by 4 percent, or \$6.8 million in FY 2006.
- ◆ A 4 percent payment reduction (\$10 million) to physicians in FY 2006.
- ◆ A 4 percent payment reduction (\$47 million) to long-term-care facilities in FY 2006.
- ◆ Medicaid health maintenance organization payments would decrease by 4 percent, but would be offset by technical adjustments.
- ◆ Freeze in enrollments for 19- and 20-year-old beneficiaries. In addition, limit benefits for 19- and 20-year-olds and caretaker relatives for FY 2006, including capping inpatient benefits to 20 days annually, implementing a \$10 co-payment for emergency services and limiting covered prescriptions to four per month. This is projected to be a \$11 million cut to hospitals.
- ◆ Eliminate the three-month retroactive eligibility for Medicaid benefits, which is projected to reduce hospital payments by \$28 million in FY 2006. In addition, this change may result in a loss of Medicare disproportionate share hospital funds.
- ◆ Impose a provider tax of up to 2.3 percent on physician practice revenues, with the intention of generating additional federal matching funds.

> **Total FY 2006 Medicaid funding reductions: more than \$125 million** (Note: the above estimates are gross numbers, including the federal matching funds).

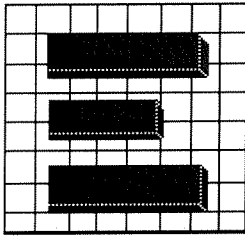


The Partnership for Michigan's Health

10 CONCEPTS FOR MEDICAID REFORM

Michigan's rapidly deteriorating health care situation has prompted a coalition of health care organizations — collectively known as the Partnership for Michigan's Health — to seek a solution. The Michigan State Medical Society, the Michigan Health & Hospital Association and the Michigan Osteopathic Association are proposing 10 concepts to restructure the state's failing Medicaid program. Brief summaries of the "10 Concepts" follow.

1. Medicare Parity – Medicaid payment rates should be raised at least to the level of Medicare payments over the next 10 years.
2. Organized Systems of Care – The state should enter into contracts with a range of "care systems."
3. Recognition of Regional Differences – The state must seek to support care systems that will better conform to the needs of Michigan's diverse communities.
4. Diversity in Structure of Health Care Systems – The state should consider other models of care systems besides HMOs.
5. Standardization of Payment Rates – The state must return to a system of standard published payment rates. (Completed: 10/01/04)
6. Single Administrative System – The state should implement a single, consolidated system to perform administrative tasks such as enrollment, payment of claims and other related functions.
7. Care Systems with Provider Sponsorship – The state should devise incentives for provider organizations to develop and operate care systems, particularly in places where the existing system is not working.
8. Financial Regulation of Care Systems – The state must make Medicaid payment rates meet the same tests for actuarial soundness and prompt payment as the commercial sector. (Completed: 10/01/04)
9. Support of Safety Net Providers – The state must establish a new program of special Medicaid financing to support physicians and hospitals in areas that rely heavily on Medicaid.
10. Health Care Coverage for All Michigan Residents – The state should commit to developing local programs to provide access to basic services for every low-income resident by 2010.



EPIC • MRA

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Michigan Voters: State Budget is in Crisis, But Protect K-12 Education and Medicaid

LANSING, Mich. — Michigan voters believe that the state budget is in crisis, but they want lawmakers to protect K-12 education and health care over other programs and services, according to a new EPIC • MRA poll released today.

The survey found that a majority (59 percent) of Michigan voters believe more can be cut from the state budget before fees and taxes are raised. But compared to past EPIC • MRA surveys, voter support for boosting certain taxes is increasing. Majority support was found for extending the coverage of the state's 6-percent sales tax to certain classes of purchases not now subject to that tax, and indeed, there was majority support for a temporary increase in the income tax rate. The survey of 600 voters was conducted Jan. 30-Feb. 3 and has a margin of error of \pm 4.1 percent.

"Michigan voters now believe that the state budget is in crisis, but they want local public schools and the Medicaid program to be protected even if other programs must be cut," said EPIC • MRA Vice President Ed Sarpolus.

In the survey, providing adequate funding for Medicaid health care services for children, elderly citizens, the disabled, and low income citizens was rated as important by 89 percent of survey respondents, including 60 percent who rated it the state's "top priority."

"Significantly, only 2 percent of voters believe lawmakers should cut Medicaid to balance the budget," said Sarpolus. "In other words, statistically, there is no support among voters for cutting Medicaid."

Providing adequate funding for local public schools was rated important by 84 percent of voters, including 51 percent who said it should be the state's "top priority."

The poll, conducted on behalf of the Michigan Health & Hospital Association, also found that:

- Educational
- Political
- Industrial
- Consumer

- Of all "problems and issues facing" Michigan, voters rated "improving the economy and jobs" (30 percent) and "making quality health care affordable and available" (25 percent) as the two they are most concerned about.

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